

The City Budget Managing Through the Current Recession

The Focus of the budget is to maintain the gains achieved through the Financial Sustainability Plan for the remainder of this year and next year.

The 10-Year Financial Sustainability Plan has improved city service in Public Safety, Parks and Street Maintenance. Over two years the City has funded:

- 80 Police Officers and support (\$18.6 million expended)
- 75 Firefighters and Paramedics (\$12.4 million expended)
- 24 square miles of Residential Streets (\$11.4 million expended)
- Parks maintenance and youth/senior programming (\$6 million expended)
- The city will complete the goals in the plan for the current fiscal year.

Recent trends have improved the City's financial position by controlling base budgets and staffing and improving fund balances

- Per Capita budgets have decreased on a constant dollar basis (adjusted for inflation)
- The City has reduced staffing that support general city operations including fleet, purchasing, personnel etc. since 1999.
- The End of Service Program and other retirement incentives saved the City approximately \$2 million last year and it is expected that these programs will provide additional savings in future years
- New city positions added since 2006 have primarily been to support direct delivery of services to citizens under the Financial Sustainability Plan
- The Mayor and Council in 2007 increased the City's reserve requirement from 7.5% to 10%. Reserves have grown from less than 1% in 2003 to more than 10% in 2007 – this is critical to the financial health of the City and important for City bonds that finance public safety and other facilities.
- At the same time, Public Safety budgets and staffing have grown.

In the current year, an economic slow down was anticipated, but the news got progressively worse resulting in a \$12 million shortfall. Other City and State governments have similar or worse budget problems. The following financial factors contribute to the deficit:

- Significant slow down in the housing market and related activities.
- Turmoil in the credit markets
- Flat sales tax collections both at the City and State levels
- The State Deficit is \$1.15 billion this year and Phoenix faces a \$70 million deficit

The City will manage through the \$12 million shortfall by:

- holding vacant positions except Financial Sustainability, public safety, and other critical positions
- cut travel expenditures
- defer acquisitions and improvements.

FY 2009 revenues are projected to be flat compared to this year's budget; however,

- Sales taxes are projected to be 1.9% lower
- State sales taxes are projected to be 7% lower, but Income taxes will be 6.3% higher barring any changes by the State
- No City tax increases are planned, and property taxes will decrease 17 cents per \$100 assessed valuation
- General Purpose Fund revenue projects attached

At the same time, there are several budget issues the City faces in FY 2009:

- The public safety pension system will cost the City an additional \$6 million
- The full year cost of merits given employees in FY 2008 will cost \$3 million
- Fuel costs will grow by \$1 to \$2 million
- Medical insurance rates are yet to be determined

What does this mean for FY 2009?

- No funding will be available to expand services or human capital
- FY 2008 budget management efforts will continue into FY 2009
- The City will continue to fund the FSP programs put in place over the last two years. This will provide
 - \$7.4 million for an additional 16 square miles of residential street maintenance
 - Approximately \$0.8 million to upgrade Parks and Recreation facilities and equipment

Our goal for next year unlike other communities in the state is not to cut services that would affect the gains we have made under the Financial Sustainability Plan.